FACTORS MILITATING ACCESS TO CREDIT AMONG POTATO FARMERS IN UMUAHIA NORTH LOCAL GOVERNMENT AREA, ABIA STATE

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ABSTRACT
Access to credit has been a big problem to farmers in developing countries and to potato farmers in Umuahia North Local Government area in Abia state, it has been an uphill task. Financial institutions shy away from giving loans to farmers because of the variability and the risk inherent in agriculture. This leads to setbacks ingovernment's bid to diversify the economy through agriculture. The research was centered on thefactors militating access to credit among potato farmers in Umuahia North LGA,Abia state. The research identified the sources of finance available to the farmers; determinants of access to loan by farmers and the constraints faced by the farmers in accessing loans in the study area. In the bid to achieve the objectives, descriptive and inferential statisticswere used to analyze the data procured from 72 respondents used for the study. From the data analysis, personal savings (84.7%), loans from esusu groups(76.4%) and cooperative societies(69.4%) were the main sources of finance in the study area. Results from the regression analysis showed that sex, marital status, education, household size, cooperative membership and value of collateral were significant and determinant factors having varying degrees of influence in farmers' quest for loan acquisition in the study area. Collateral requirement, high interest rate and hidden charges, were the major limitations faced by farmers trying to obtain loan in the study area. Credit packages meant for farmers are often diverted; Government, through its agencies, should ensure that the credit packages set aside for farmers are not diverted but used to achieve the desired effect.

Keywords: Credit Access, Farmers, Potato, Loans, Constraints

INTRODUCTION

Agriculture in developing countries in Africa has failed to live up to its expectations of feeding the people in the society. This is evidenced by an upward trend in the importation of food commodities which otherwise could have been locally produced. This has increased the cost of living among other effects. This development could be attributed to many factors that include lack of government support, subsistence nature of agriculture in the area, use of crude implements, inadequate roads and transport facilities, inadequate storage facilities, inadequate access to credit among others. Among the entire problems mentioned, inadequate access to credit is chief; farmers with adequate capital base can cater for the aforementioned problems. Crude implements could be replaced with mechanized farming, subsistence farming for commercialized farming, etc. According to Agbo, Iroh and Ihemezie (2015), credit provides cash reserves required to fast track the process of production and consumption in the next cycle. It provides an opportunity for the farmers to meet their consumption requirements and input needs. The unforeseen circumstances surrounding agriculture have made it an uphill task for farmers to obtained credit from financial institutions. Most financial institutions scare away the farmers with high interest rates and tedious procedures in obtaining loans. This has discouraged farmers from seeking financial help from financial institutions and potato farmers are no exception.

Potato is grown in all parts of Nigeria because it requires soil that is moderately fertile. The major breeds of potato widely grown in the country include Irish potato, sweet potato and the orange-fleshed sweet potato. The crop is grown for both man and animal consumption. Potato is a rich source of Vitamins C, E, A, Carbohydrates and minerals like Zinc and Iron. They can be processed into chips, starch and flour. They also serve as a raw material for the manufacture of wide range of industrial products, such as starch, liquid, glucose, ethanol and they can serve as a substitute for wheat flour in bread making. Potato farmers have many challenges facing them which range from inadequate land to lack of funds for production and processing of their produce.

Although the Nigerian government through the central bank of Nigeria has set aside some credit facilities to be accessed by farmers with a very low interest rate but the reality on ground shows that these funds are not accessed by farmers instead most commercial banks have diverted these to other uses which deprives the farmers from benefiting from the facility. Most of the potato farmers are rural based and having access to credit will improve grass root development by increasing their output that will improve their standard of living, enhance their use of modern technologies and enhance ways of improving their output and pay back the borrowed fund.

The objectives of the paper were to identify the sources of finance available to the farmers; identify the determinants of access to loan by farmers and determine the constraints faced by the farmers in accessing loans in the study area.

METHODOLOGY

Study area - The study was conducted in Umuahia North Local Government Area of Abia state. Umuahia is one of the agricultural zones of the state and potato is one of the major product from the zone. Major occupations of the residents include farming, artisanship, civil service and trading. (National Population Commission; 2015). The major crops grown in the area include: cassava, maize, potato, okra, vegetables. Etc

Sampling and sample size - A multi-stage sampling technique was employed in sample selection. In the first stage, the two major clans in Umuahia North Local Government Area were selected namely Ibeku and Ohuhu. In the second stage two villages from these two clans were selected because of the existence of outsized potato farmers in the areas. In the third stage 18 farmers were randomly selected from each of the four villages giving a grand total of 72 respondents that were used for the study.

Method of data analysis - Objectives one and three were analysed using descriptive statistics while objective two was analyzed using multiple regression.

Model specification - The ordinary least squares multiple regression model used in the study is specified as:

$Y = f(X_1, X_2, X_3, X_4, X_5, \ldots, X_n)$ ……………(1)

Where;

Y= amount of loan accessed (N)

X_1 = Age (years)

X_2 = Sex (male=1, female=0)

X_3 = Marital status (married=1, otherwise= 0)

X_4 = Education (years)

X_5 = Household size (number)

X_6 = Experience (years)

X_7 = Value of collateral (N)

X_8 = Cooperative membership (member=1, otherwise=0)

RESULTS AND DISCUSSION

Sources of finance available to the farmers in the study area

Table 1 shows the various sources of finance available to the Potatoes farmers in the study area. The data were collected using a multiple responses whereby the respondent can select more than one source of finance available to them.

Table 1: Showing the various sources of finance available to the potatoes farmers

Credit Sources	Frequency	Percentage
Personal savings	61	84.7
Friends and relatives	34	47.2
Cooperative societies	50	69.4
Informal institutions (esusu)	55	76.4
Financial institutions	37	37.3
Loans from individuals	19	26.3
Nongovernmental organization (NGO)	25	34.7

Field survey 2016; multiple responses

The resultsreveals that different sources of finance identified in the study with different levels of patronage of each sourceas indicated by the farmers in the study area. Personal savings had the highest level of patronage(84.7%) by farmers as the source of financing their farming activities. This implies that the majority of the potatoes farmers started their farming business with self-mobilized savings.

Informal financial institutions such as "*esusu*" were indicated by 76.4% as source of financing their potato farm. This implies that besides personal savings, local informal financing institutions aide farmers with soft credit to run their activities. This goes to prove the importance of grass root financing to the economic welfare of the people generally.

The result shows that 69.4% of the potatoes farmers were financially assisted by their various cooperative societies. This is a positive indicator that the functionality of cooperative societies is widely recognized and as well been practised in our society today, which would go a long way in helping local farmers access loans with the aim of boosting productivity.

Friends and relatives which is a form of informal financing as well is been patronized by 47.2% of the respondents in the study area. Although it is an easy source of financing, the major disadvantage is that it is usually soft and short term financing, meaning that it is not an advisable source of financing for farmers having long-term financial obligations like maturity period of crops, building, machineries and Plant.

The result indicates that Formal financial institutions (i.e. Banks and Microfinance banks) and Non-Governmental organisations (NGO) sponsored only 37.3% and 34.7% of the potato farmers. Such low level of patronage may be indicative of the high and stringent measures adopted by the financial institutions in granting loans to farmers such as high interest rates, high collateral demand etc.

Loans from Individuals received the lowest (26.3%) level of patronage by the potato farmers in the study area. This is as a result of the reluctance of prominent individuals in our society in investing in agriculture especially potato farming citing the risk involved in agriculture and its rate of returns as key factor of hindrance, they prefer to invest in the trending Oil and Gas sector.

The findings are not encouraging because Nigeria as a nation is still fighting food security and the high rate of poverty level in the country and potato farming would go a long way in boosting the economy of Nigeria since it is widely consumed and can be exported to earn foreign exchange.

Analysis of the factors affecting access to loan by potato farmers in the study area

The results from the analysis of the determinant factors affecting access to loan by farmers in the area were presented in Table 2. The analysis was carried out using multiple regressions and shown in Table 2.

Table 2: Factors affecting access to loan among potato farmers

Variables	Linear+	Semi-log	Exponential	Double log
Intercept	-6.038	49.354	-55.259	-64.038
	(-3.709)***	(14.503)***	(-2.275)*	(-21.111)***
Sex	0.000	-1.537E-006	-1.431	1.186E-008
	(3.089)***	(-1.178)	(-0.906)	(2.609)**
Age	0.000	-1.537E-006	-1.431	1.186E-008
	(-1.089)	(-1.178)	(-0.906)	(0.009)
Marital status	2.102	-0.001	-.442	-0.011
	(1.759)*	(-1.084)	(-2.133)*	(-1.409)
Education	-1.292	-0.011	.779	0.001
	(-1.892)*	(-1.409)	(3.034)**	(1.779)*
Household size	-9.104E-005	-1.479E-006	-62.169	0.000
	(-40.545)***	(-57.443)***	(-97.323)***	(0.503)
Experience	0.870	2.444E-006	65.056	0.005
	(1.234)	(21.447)***	(39.606)***	(0.688)
Value of collateral	1.186E-008	1.056E-008	-.038	-1.537E-106
	(.009)**	(0.689)	(-1.111)	(-1.178)
Cooperative membership	0.108	0.000	0.651	0.589
	(2.432)**	(-0.079)	(1.442)	(5.471)
R^2	0.926	0.962	0.986	0.698
R^{-2}	0.920	0.959	0.987	0.699
F- ratio	72.551***	47.143***	10.195***	43.967***

Source: Field Survey, 2016,Values in Parenthesis is t-ratio; + lead equation
*, ** and ***implies significance level at 0.10, 0.05 and 0.01 probability levels respectively

The results of the multiple regressions analysis of the determinantfactors affecting access to loan among potatoes farmers in the study areawere summarized in the Table 2 above revealed an F ratio of 72.551 that was significant at 1% level showing goodness of fit of model for analysis. The Linear functional forms was chosen as the lead equation for this study based on statistical reasons as the value of regression co-efficient of determination (R^2) shows that 92% of the independent variables could have influenced the changes in the dependent variable. The result shows that sex, marital status, Education, Household size, cooperative membership and value of collateral were significant.

Sex of the farmer interacted positively with credit access at 1% significant level. This means that male farmers may stand better chance of obtaining credit when compared to the female farmers. The results showed that men have access to loan more than the women do in the study area. This might be because of men in area meeting the loan requirements needed to obtain loan when compared to the women in the area. In addition, men own most businesses in the study area and this might increase their need for loan than their female counterparts.Ololade andOlagunju(2013) believed that been a female reduces your chances of accessing credit.

The result indicated that marital status had a positive coefficient and has significant effect on loan access of potatoes farmers in the study area at 10% level. The positive relationship between the marital status of the potatoes farmers and their ability to access loan is because married farmers are perceived to be responsible and far-sighted with finance than unmarried individuals; as a result, the loan facilitators rely on their strength of financial responsibility and through that can liberally give them loan. Ololade and Olagunju (2013) discovered that married loan applicant stood a better chance to obtain loans than those who were single.

The results also indicated that variable the educational attainment of the farmers was positively related to their access to loan (significant at 10%). This implies that an increase in the educational status of the potato farmers leads to an increase in the farmer's ability to access loan. This might be as a result the exposure that comes with education. Farmers who are educated make better decisions in choosing loan options and the requirements that comes with it. Adegbite and Adeleye (2011) found out that higher educational qualification of the farmer increases his chances of accessing loans.

The coefficient of regression also revealed that Household size of the potatoes farmers were positively related to their access to loan and is significant at 1% level. This implies that increasing household size increases the loan access of the farmer because as the numbers of the members of the farmers' household increases, the farmer has a cheap source of labour which paves way for increased productivity and the possibility of the farmer to pay back the loan borrowed. Also, if the members of the household are gainfully employed, it will increase the ease of repayment as the household members might contribute to that effect.

The value of the collateral presented by the potatoes farmers is positively related to their accessibility of loan (significant at 5% level). This is because most of the financial institutions usually demand collaterals of very high value from the farmers. This means that the higher the value of the collateral, the higher the possibility of the farmer acquiring the required loan. Elias, Ahmad and Patil(2015) believed that large land holdings increased the probability of the farmer accessing loans from financial institutions as the farmer can cultivate in large quantities with improved technology to offset his debts and the land can serve as collateral for the loan.

The results further indicates that cooperative membership has a positive relationship with the farmers access to loan and significant with the dependent variable. It is significant predictor of loan accessibility at 5% significance level. This is because cooperative societies usually aide their members when they want to access credit facilities. They also act as trustees or agents of the farmers.

Table 3: Constraints of access to credit by farmers in the study area

Constraints	Frequency	Percentage
Inadequate information	36	50
Income	23	31.9
Terms and conditions	35	48.6
High interest rates	42	58.3
Hidden charges	48	66.6
Bureaucratic process	30	41.7
Collateral requirement	56	77.8

Field survey 2016; Multiple responses

The farmers who are potato farmers in the study area ranked the major problems affecting their access to credit as shown in Table 3.

From the results in Table 3, it was observed that 77.8% of the respondents agreed that collateral requirement needed to access credit from financial institutions limits their access to credit in the study area. Most farmers in the study area are poor and do not have the needed collateral to access loans. Often times, financial institutions scare away the farmers with high collateral requirements. Okojie *et al* (2010) from their research reported that the poor have limited access to financial services, and the main source of finance for the majority of rural women in Edo state is their contribution to the savings/market associations.

Hidden charges were identified by 66.6% of the respondent as a factor affecting access to credit. Most farmers complained that although the loan applied for was disbursed late, the interest inherent has started accumulating before they received the loan and the financial institutions did not agree to count from when the farmer received the loan. In addition, there are some hidden administrative charges that the farmers do not know about but are made to pay by the financial institution. Some applications fees the borrowers were meant to pay also added up to hidden charges paid by farmers in their bid to access credit from financial institutions.

High interest rate was another factor dissuading farmers' access to loan. The interest rate charged by financial institutions is on the high side for the poor farmers. These have the effect of making work hard in order to meet up with the interest requirements of the loan and sometimes the farmer has nothing to gain after the loan and the interest have been paid. Although the Nigerian government has tried to provide credit schemes with no interest rate for the poor farmers it has been observed that funds from these schemes were often are diverted and the poor farmers do not benefit from them. Mgbenka and Mbah (2016) observed that although Federal Government of Nigeria (FGN) has established credit schemes such as the Agricultural Credit Guarantee Scheme (ACGS) and Agricultural Credit Support Scheme (ACSS) to ensure farmers' access to agricultural credit, the situation has not improved substantially.

Information is an essential ingredient in agricultural development programmes but Nigerian farmers seldom feel the impact of agricultural innovations either because they have no access to such vital information or because of poor dissemination. Half of the farmers (50%) complained of not being informed or lacked the adequate knowledge of the government efforts at providing credit with little interest rates. This has denied these farmers the opportunity of benefitting from these schemes.

Other limiting factors to farmers' access to loan in the study area include terms and conditions of the loan, bureaucratic process involved in the loan processing and the farmers' income.

CONCLUSION AND RECOMMENDATIONS

Access to credit plays a pivotal role in the productivity of farmers and potato farmers are no exception. The research portrayed the factors limiting farmers' access to credit in Umuahia North Local Government Area, Abia state.Collateral requirement, high interest rate and hidden charges, were the major limitation among others faced by farmers trying to obtain loan in the study area. The study recommends that:

i. There should be monitoring teams at national, state and local government levels to monitor the management and usage of agriculture fund allocation and farm inputs. This will help check embezzlement and reduces corruption to a great extent.
ii. Adequate information should be made available to farmers through television and radio jingles. Extension agents should be well equipped as they interact with the farmers face to face and reach them at their levels.
iii. Financial institutions should be guided by the central bank on the collateral requirements demanded from farmers and to reduce the charges the farmers are made to pay before the loans they applied can be processed.

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